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PERSPECTIVES

WITH ALL THE UPHEAVALS IN EASTERN EUROPE AND THE USSR, what are the prospects for long-term agricultural trade in the region? Looking for reliable answers is a continuing project of the Centrally Planned Economies (CPE) Branch, Agriculture and Trade Analysis Division, of USDA's Economic Research Service. In addition to keeping up with reports from the news media, trade journals and U.S. agricultural specialists stationed overseas, the branch's analysts travel in the region as much as they can. All of the countries but Albania, they say, are adopting consumerist (market-driven) economics, but the degree of change varies.

Key goals of all the nations are, first, to make their currencies fully exchangeable with other currencies—a status known as convertibility—and, second, to remove controls over prices and wages, the CPE experts report. The controls distort the retail markets and disrupt the use of labor. As long as the government and not the marketplace sets the exchange rates, these nations will face trading obstacles: No one wants to accept their currency at the inflated official rate. Further consequences of these controls are large cash holdings among workers and the potential for runaway inflation when controls are lifted. Some of the nations get around their convertibility problems by using various forms of barter. But U.S. businesses, reports CPE staffer William Liefert, much prefer payment in straight hard currency. Liefert, who toured the Soviet Union late last year, says the Soviets consider U.S. goods as superior but find it easier to trade with Western Europe.

As of early January, Hungary, Poland, and East Germany were seen as having made the most strides toward convertibility. Hungary's progress follows a plan adopted a year ago, and Poland began its plunge into market economics by removing all price controls and disconnecting its guaranteed cost-of-living wage increases this year. By opening its border with West Germany, East Germany achieved a de facto convertibility between the two currencies. Yugoslavia may achieve convertibility this year, if it can bring inflation under control. Czechoslovakia and Bulgaria have taken initial steps in that direction but have some distance to go. Romania will have to achieve political stability before the government begins to address economic reform. The Soviet Union has a two-steps-forward, one-back approach toward lifting controls, the CPE branch reports. Moscow appears to be concerned about the speculative trading opportunities offered by an open marketplace, and it does not want to be considered an ally of the "middleman."

The CPE Branch used a computer model to try to estimate what Eastern Europe would buy and sell in the future. For the region as a whole, the analysts said, the best export prospects for these nations are textiles, high-value processed foods, and similar "light" industrial goods. By nation, they expect increased grain purchases by Yugoslavia, Poland, Czechoslovakia, and Bulgaria, but average or less-than-average purchases by the Soviet Union. They expect a general upward trend in East European oilseed imports. Hungary is expected to find it advantageous to export grain and import livestock, and Yugoslavia could become a livestock importer. Poland and Bulgaria are expected to increase livestock exports.

In 1988, the latest calendar year for which trade figures are available, the United States sold about $540 million in agricultural products to Eastern Europe, excluding the Soviet Union, and imported about $320 million in farm goods. The biggest U.S. farm exports were wheat, corn and soybeans, and the major import was processed meat, predominantly from Poland. U.S. farm exports to the Soviet Union in 1988—mostly grains—were worth $2.2 billion, and U.S. farm imports were valued at about $19 million.

FARMLINE

AGRICULTURE...NATURAL RESOURCES...RURAL DEVELOPMENT
Practical economic intelligence from USDA's Economic Research Service

FEATURES

Wetlands Preservation Policy Gains New Stature *by Carolyn Riley* 4

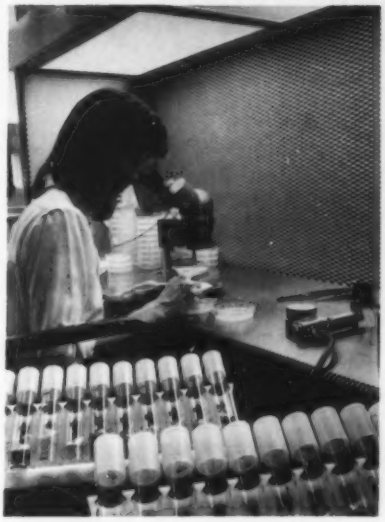
After encouraging farmers for more than 100 years to drain and cultivate wetlands, the government now wants to protect the areas. "No net loss" has become the official standard, and it will entail some costs.

The Cost-Safety Balance in Protecting Our Food *by Doug Martinez* 8

With the improvements in techniques for identifying food contaminants, the government and the consumer will have to agree on what levels of safety are financially acceptable.

Trade Agreement's Impact: Few Gains for Farmers *by Judy Foulke* 12

The Free Trade Agreement between the United States and Canada, now in effect for 1 year, was drafted in the shadow of multinational trade negotiations. Some gains were achieved in the area of agriculture, while other trade issues were deferred to the multinational talks.



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This is your handy guide to winter and spring release dates for situation and outlook reports of the Economic Research Service, crop and livestock reports of the National Agricultural Statistics Service, and supply-demand estimates of the World Agricultural Outlook Board.

Wetlands Preservation Policy Gains New Stature

Wetlands—marshes, swamps, bogs and similar areas—are considered to be among the nation's most valuable natural resources.

Three hundred years ago, what is now the contiguous United States had about 215 million acres of wetlands, according to estimates by the congressional Office of Technology Assessment (OTA). About 99 million acres remain today. The Interior Department's Fish and Wildlife Service (FWS) estimates that in recent years more than 80 percent of the converted land went into agricultural uses.

From the turn of the 20th century until 1977, USDA and other government agencies provided support for converting wetlands to farmland. Farmers received both financial aid and technical assistance to turn wetland into cropland. Between the mid-1950's and mid-1970's, some 12 million acres of wetlands were converted, says economist Ralph Heimlich of USDA's Economic Research Service.

Most of the wetlands converted in the middle of this century were in the Southeast and the Lower Mississippi Delta, which have a sizable portion of the nation's wetlands. Louisiana and Mississippi each converted 1.7 million acres, Arkansas more than 1.4 million, and North Carolina and Minnesota more than 500,000 each.

One of the first federal efforts to protect wetlands was the Water Bank Program of 1970, administered by USDA. In exchange for government payments, landowners pledged not to burn, drain, or otherwise alter their wetlands for 10 years. When the first lease period expired in 1982, however, only 50 percent to 60 percent of the landowners renewed their leases. Farmers, mostly in the prairie pothole region of the North Central states, were enrolling in the program when commodity prices were depressed and leaving when prices recovered, according to a 1984 report by OTA.

Section 404 of the Clean Water Act, passed by Congress in 1972, was the first attempt by the federal government to regulate the use of wetlands. Section 404 prohibits the discharge of dredged or fill material into wetlands without a permit. Permits are issued by the Army Corps of Engineers and reviewed by the Environmental Protection Agency.

'No net loss' principle contrasts with century-ago programs that encouraged conversion to farmland.

The success of this program to slow the rate of wetlands conversion has been limited because most agricultural drainage is exempted as "normal farming activity," Heimlich says.

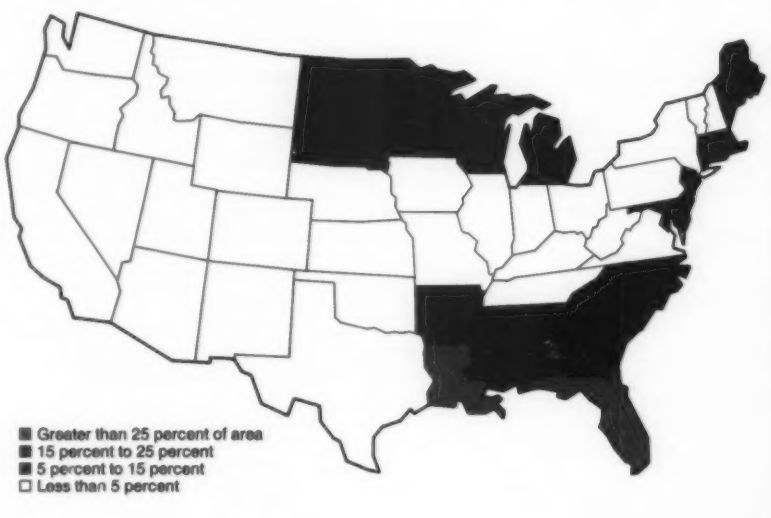
The Section 404 program, he adds, has more successfully curbed wetland conversion for development in coastal areas than it has the inland losses of seasonal wetlands. More than 96 percent of the applications for Section 404 permits have been granted. No data are available on the acreage affected. An OTA study of the program, however, estimated that fewer than 100,000 acres were protected between 1980 and 1981.

New Role for USDA

Reflecting growing public awareness that wetlands are a valuable natural resource, an executive order on protection of wetlands in 1977 directed USDA and other agencies to "minimize the destruction, loss or degradation of wetlands" and ended direct assistance for converting wetlands.

Congress sought to reduce the loss of wetlands to agriculture by including the "swampbuster" provision in the 1985 Food Security Act. The provision disqualifies farmers from receiving many federal farm benefits—price support payments, farm

Most of the Wetlands in the Contiguous 48 Are Concentrated in 20 States



Source: U.S. Fish & Wildlife Service

storage facility loans, crop insurance, disaster payments, and insured or guaranteed loans—if they grow crops on wetlands converted since 1985.

The success of the swampbuster provision is limited, however, by the types of crops grown and by farmers' participation in government programs, Heimlich says. He estimates that, assuming full implementation, the provision will prevent destruction of about 6 million acres, which is 35 percent of convertible wetlands.

As of April 1989, 427 farm operators had lost their eligibility for federal program benefits because they chose not to adhere to the provisions of the swampbuster regulations, and more than half of those won back their benefits on appeal. Program benefits foregone by the few farmers who were found in violation totaled about $850,000.

The swampbuster provision does not prohibit drainage or modification of wetlands, Heimlich says. It merely offers farmers a financial disincentive to cultivate wetlands.

Two current Senate bills would provide more stringent qualifications for eligibility.

Currently, farmers who convert wetlands to agricultural uses lose farm program benefits. Benefits are restored, however, if the land is not cropped the following year. Both bills would continue to deny benefits until the wetlands are restored, regardless of whether the land is cropped.

The Tax Reform Act of 1986 modified another federal incentive for converting wetlands. It restricted tax deductions for land-clearing and drainage activities undertaken for soil and water conservation, and it eliminated favorable tax treatment of capital gains, including increases in land values due to drainage.

While eliminating direct assistance and denying benefits for converting wetlands have probably reduced the rate of wetland conversion, says Heimlich, wetlands are still being converted faster than they are being restored or created.

Photo courtesy of U.S. Fish and Wildlife Service

In 1988, the National Wetlands Policy Forum, composed of representatives from government, industry, and environmental groups, proposed the no-net-loss policy and an eventual increase in wetlands.

The goal of a no-net-loss policy, says Heimlich, is to conserve and increase diminishing resources. The policy recognizes that some losses would continue; however, if wetlands are lost, they would be replaced.

The National Wetlands Priority Conservation Plan and the North American Waterfowl Management Plan, as well as provisions in several bills introduced in Congress, also propose increases in wetlands acquisition and restoration.

A national wetlands reserve may be the next step to protect wetlands, Heimlich suggests. Such a reserve could be created by expanding existing programs, as well as by establishing new programs, to acquire and restore wetlands, he says.

For example, USDA wants to give landowners participating in the Water Bank Program a one-time payment for a permanent easement—partial ownership interest in the land—instead of offering 10-year leases.

Wetlands or permanent wetlands easements also can be purchased under the Small Wetland Acquisition Program administered by FWS. It purchased permanent easements on about 125,000 acres of wetlands between 1981 and 1988 for an average cost of $279 per acre. Outright land purchases averaged $800 per acre.

Wetlands are also being leased under USDA's Conservation Reserve Program (CRP). Eligibility rules for the CRP have been broadened to include wetlands. Almost 156,000 acres of wetlands were enrolled during the most recent signup, with

most of the land in the prairie pothole regions of North Dakota, South Dakota, and Minnesota.

Converted wetlands currently used for cropland could also be restored and added to a wetlands reserve. While extensive restoration of wetlands may be necessary to create a reserve, Heimlich points out, it is also costly.

Heimlich says there are 56 million acres of hydric cropland (converted wetlands) in the United States. This represents 13 percent of the U.S. cropland base.

Most hydric cropland is relatively productive. Easements, therefore, are likely to be expensive. In addition, landowners may require additional compensation for having to farm around restored wetlands and the uncertainty of future lost income. At the same time, income from noncrop uses of restored wetlands—hunting or fishing leases, fees for recreational access—could reduce easement costs.

Paying for Restoration

Average costs of restoring wetlands have ranged from $48 per acre in some of the easily restored prairie pothole regions of the Northern Plains to $1,193 per acre in sections of Appalachia, according to estimates based on restorations done by FWS, the Reinvest in Minnesota program, and Ducks Unlimited.

Heimlich estimates that the least cost of establishing a wetlands reserve involving 2.5 million acres of hydric cropland is $845 million, with 66 percent of that cost for easements and the remainder for restoration. A 5-million-acre reserve could cost $2.4 billion and a 10-million-acre reserve $6.7 billion, with easement costs rising to 77 percent of the total. Average costs per acre would probably range from $333 to $681.

Ten states contain 90 percent of the hydric land likely to be in these three least-cost reserve categories. Minnesota, with the most hydric cropland, would provide almost one half of a 5-million-acre reserve. Corn Belt states would provide about one quarter of the hydric cropland to the reserve, while

Yesterday's Wastes, Today's Ecological Treasure Houses

If you don't have a wetland in your backyard, there's probably one nearby. There's one in every county in the United States, according to the Environmental Protection Agency.

Wetlands are mostly semi-aquatic lands. They are either constantly or periodically covered or saturated with water. The presence of water makes them hydric, or capable of supporting specially adapted plants like bulrushes, cattails, and cypress.

There is a large variety of wetlands—swamps, bogs, and marshes. Most are always wet, but some, like the prairie potholes in the Midwest, are dry much of the year. There are two broad categories, coastal and inland. Coastal wetlands are linked to estuaries where sea and fresh water mix. Many shallow coastal areas are unvegetated mud or sand flats. Marshes are abundant along the Atlantic and Gulf coasts. Mangrove swamps are common in Hawaii and in southern Florida.

Inland wetlands are most common on floodplains beside rivers and streams. They are also found along the margins of lakes and ponds and in isolated depressions surrounded by dry land. Inland wetlands include marshes and wet meadows, shrub swamps, and wooded swamps. Some regional examples are the pocosins in North Carolina, prairie potholes in Minnesota and the Dakotas, and the tropical rain forests of Hawaii.

Historically, wetlands were viewed as pest-ridden wastes to be reclaimed for useful purposes. For many years no one noticed their environmental benefits or their rapid disappearance.

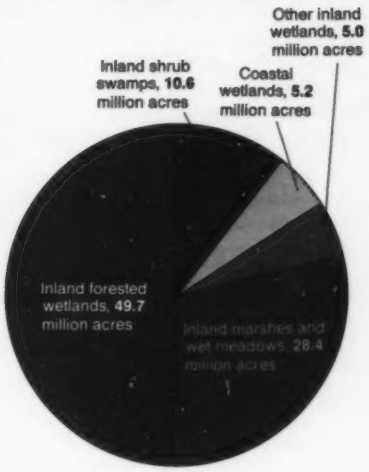
In 1763, George Washington formed a company to drain for agriculture the Great Dismal Swamp on the border of Virginia and North Carolina. While his project failed, his attitude toward wetlands foreshadowed policy for nearly two centuries. The swamp in question has now been made a preserve.

Wetlands in the public domain were given to states to administer under the Swamp Lands Acts of 1849, 1850, and 1860. Florida, for example, sold the Everglades and Okefenokee wetlands for less than 50 cents an acre. Today, Iowa has lost about 95 percent of its natural marshes, and California more than 90 percent of its wetlands. Other states—including Connecticut, Louisiana, Michigan, Minnesota, and North Dakota—have lost about 50 percent of their wetlands, according to the National Wildlife Federation.

Ecologists and biologists were the first to recognize the environmental value of wetlands as some of the world's richest ecological stews. They nourish such diverse wildlife as alligators in the Florida Everglades, whooping cranes in Texas, muskrats in Iowa, and ducks in the prairie potholes in Minnesota, North Dakota, and South Dakota.

Wetlands are coveted by environmentalists and hunters alike. They not only provide a habitat for wildlife but also help maintain groundwater supplies and water quality, protect shorelines from erosion, store floodwater, and trap sediments.

Wetlands in the 48 Contiguous States Total About 99 Million Acres*


Other inland wetlands, 5.0 million acres
Inland shrub swamps, 10.6 million acres
Coastal wetlands, 5.2 million acres
Inland forested wetlands, 49.7 million acres
Inland marshes and wet meadows, 28.4 million acres

*1975 estimate

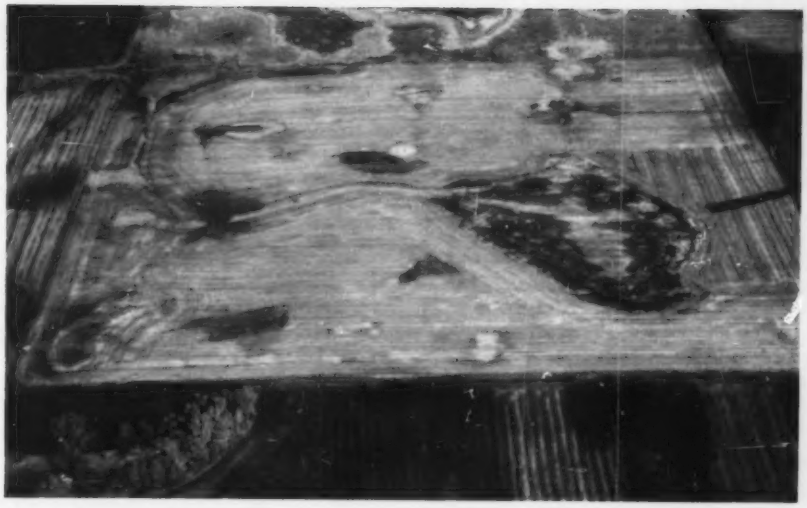
North and South Dakota would add relatively little, only 8 percent. The share of the reserve from the three states with major proportions of wetlands—Louisiana, Mississippi, and Florida—would be only 2.5 percent.

While other activities such as real estate development, dredging and stream channelization, and diking and damming also contribute to loss of wetlands, agriculture is likely to continue to be involved in proposals to conserve and increase America's remaining wetlands, says Heimlich.

Moreover, a growing coalition of environmental, hunting, fishing, and conservation organizations is pushing to provide even greater protection of natural resources, including wetlands.

Considering recent rapid changes in wetlands policies, Heimlich says, 1990 not only may be the "Year of the Wetland," but also usher in the "Decade of the Wetland," with policies reaching into the year 2000 and beyond. □

[Based primarily on information from Ralph Heimlich of the Resources and Technology Division, Economic Research Service.]



Restoration of prairie potholes to wetland, as Fish and Wildlife Service photographs show, need not halt farming activity.

The Cost-Safety Balance In Protecting Our Food Supply

Consumers must be willing to accept minute risks in order to obtain an abundant supply of desired foods at affordable prices, says economist Tanya Roberts of USDA's Economic Research Service.

"A totally risk-free food supply is technically infeasible and economically undesirable," she says.

Even so, the growing scientific sophistication in detecting hazardous chemicals or microorganisms in food is creating new procedures for controlling these risks.

In fact, new tests reveal that microorganisms are a more common cause of foodborne disease than most Americans suspect.

"Rapid tests for bacteria may improve monitoring of the critical control points in food production and distribution," says Roberts, "and improve the safety of the food supply." New detection procedures for chemicals show levels of residues that were formerly undetectable, sometimes triggering legal action.

Many food safety policies were adopted before these testing improvements and the challenge now is to incorporate this new knowledge into workable food safety policies that take into account the economic costs and benefits of such regulation.

"Acquiring and understanding food safety information is difficult work for a highly trained professional, let alone an individual consumer," says Roberts. "Microorganisms are invisible to the naked eye, rapid tests may not be available, and most microorganisms found in food are not pathogenic (capable of causing disease). Even where tests are available, tests may not be able to differentiate pathogenic strains from harmless strains of the same microorganism."

In spite of these problems, health professionals, the food industry, and the public are pressing for more to be done about a problem that can be measured in both human, and economic, terms.

As inspection procedures grow more precise, the 'acceptable' risk begins to be an economic issue.

Researchers estimate that from 6.5 million to 33 million Americans (3-14 percent of the population) become ill each year from microorganisms in their food. An estimated 9,000 of these illnesses result in death—or 4 out of 100,000 people. In contrast, the Environmental Protection Agency's worst-case estimate is that pesticides in food potentially cause about 6,000 cases of cancer each year, or about 2 in every 100,000 people. Most toxicologists and food scientists believe that microbial pathogens are a more serious hazard than chemical residues in the food supply.

"The conventional wisdom used to be that foodborne disease caused by microorganisms would only cause mild, brief illness, primarily diarrhea and vomiting for 1 or 2 days," says Roberts. "But the severity with which people may be stricken can vary enormously."

How hard an individual may be hit depends on a wide range of things: the virulence of the organism, the number of organisms eaten, composition of the foods involved, and the "susceptibility" of the individual—which varies with age, the presence of other diseases, pregnancy, medications, nutrition, and immune system status.

Chronic diseases such as central nervous system disorders, heart complications, blood poisoning, or kidney disease, can occasionally result from common bacterial and parasitic diseases. An estimated 2 percent to 3 percent of foodborne diseases have some kind of short-term or long-term recurring aftereffects. While these are low-probability events, the lifelong implications are serious.

The economic costs of foodborne diseases are in the billions of dollars. In fact, for just two diseases—salmonellosis and campylobacteriosis—the medical costs and time lost from work total about $2 billion a year for Americans. Both these ailments are common intestinal diseases with flu-like symptoms. A third disease, congenital toxoplasmosis, causes mental retardation in fetuses and is estimated to have costs exceeding $215-$323 million annually.

"These partial estimates omit many microbial foodborne diseases," says Roberts. "Overall, medical costs and productivity losses are several billion dollars a year."

Other Hazards

Pesticide residues and animal drug residues are two other potential hazards in food, both of which have gained greater visibility in recent years, and months.

Although pesticides are required to pass approval by the federal Environmental Protection Agency (EPA) before entering the market, approval was granted in the past to many widely used pesticides when less sophisticated tests meant less was known about their chronic toxicity—like their potential to cause cancer.

"Beginning in 1978, new regulations required more complete information on the chronic toxicity of pesticides prior to approval for use in agriculture," says Professor Eileen Van Ravenswaay of Michigan State University, who worked with ERS economist Roberts in researching food safety costs. "Consequently, pesticides introduced in the last decade have faced tougher scrutiny."

Tougher scrutiny has not always resulted in a safer food supply, according to a report issued in 1987 by a National Academy of Sciences (NAS) committee on which Van Ravenswaay served. "This paradox arises because although some new pesticides are significantly less carcinogenic and pose substantially fewer health risks than some pesticides already on the market" she says, "EPA has not always been able to register them under current law. Thus, older, riskier pesticides continue to be used in some

cases even though better ones could be available."

EPA is required to re-register old pesticides as new data become available about their health effects. At the time of the National Academy of Sciences report, EPA had data for 74 of the 289 pesticides currently registered. Of the 74, EPA has classified 53 as oncogenic (capable of causing tumors). These 53 compounds account for 90 percent of all fungicide use, 38 percent of all herbicide use, and 40 percent of all insecticide use. The situation is particularly serious for fungicides because few good substitutes are likely to be developed, according to NAS. The so-called Delaney Clause in federal regulation restricts the use of chemicals found to be cancer causing and may therefore most affect fruits and vegetables because fungicides are widely used on these crops.

"Like pesticides, many approved animal drugs were registered for use on the basis of safety evaluations that are now considered obsolete," says Van Ravenswaay. "For example, the safety of sulfa drugs—which are widely used in swine and veal production—is being questioned. Even though sulfa drugs have long been recognized as causing allergic reactions in some sensitive individuals, recent studies by the Food and Drug Administration's National Center for Toxicological Research indicates that sulfamethazine may be a potential carcinogen. Based on preliminary risk assessments, FDA has warned that it may lower the tolerance of sulfamethazine in swine or ban its use."

"Adequate detection methods do not exist for approximately 70 percent of the animal drug residues in meat, milk, and eggs that USDA is responsible for monitoring, according to a congressional report. Currently, tests are being developed by both public and private researchers to detect the presence of animal drugs in food. And USDA's Food Safety and Inspection Service (FSIS) has made considerable progress in developing tests for detecting antibiotic and sulfa drug residues."

But detection is only a first step in managing food hazards. Regulation and enforcement must also be considered.

On the enforcement side, FSIS cannot simply fine violators. The agency can condemn and seize carcasses, however. FSIS can also initiate criminal procedures, but these actions based on detecting residues may be hampered by the complexity and slowness of tests requiring tissue samples. By the time an impermissible level of drug residue is found, the carcass may have already been consumed.

Millions of animals are slaughtered each year, so not every one of them can be individually tested for all possible contaminants, says Van Ravenswaay.

FDA has, for many years, conducted a Total Diet Program to measure residuals actually present on table-ready foods. Exposure estimates are compared with Acceptable Daily Intakes (ADI's) to estimate risk levels in the diets of various population groups. The analyses show that exposures are well within the established ADI's.

In all these areas—from bacteria to pesticides and animal drug residues—science is sorting out risks and possible hazards with finer and fuller measurements. That process is itself advancing concerns about food safety.

"New scientific developments are profoundly altering knowledge about risks in the food supply and revolutionizing procedures for controlling those risks," say Roberts and Van Ravenswaay.

In some cases, these new technologies are beginning to be used by industry and federal regulators both here and abroad.

The Economic Factors

The extent to which they become common practice, however, may rest on economic grounds.

That is because the use of some substances—and the effort to eliminate others—is usually influenced by costs and benefits.

"Pesticides and animal drug residues may enter the food chain because they lower the costs of producing food," says Van Ravenswaay. "Other potentially hazardous substances, such as pathogenic microorganisms and environmental contaminants, enter the food chain because avoiding their presence in food increases the cost of producing that food. Still others impart desirable qualities to food, such as food additives that enhance taste, texture, visual appeal, and shelf life."

As a result, sellers have little incentive to provide information to buyers on the potential adverse effects of substances in their products.

"Sellers do not want to alert consumers to risks because sales are likely to fall, and consumers may be reluctant to pay a higher price for 'safer' food if they cannot easily verify safety claims," says Van Ravenswaay. "If sellers cannot recoup the extra costs of developing and producing a safer product, they will not develop the product."

More government regulation and broader inspection programs would cost more money at a time when budget pressures are prompting federal efforts to cut costs.

The possibility of more extensive regulation—and stricter standards for "tolerances" of permissible amounts of suspect substances—thus presents an economic dilemma. "Economic theory tells us that too much regulation, or the wrong sort of regulation, can be as costly to society as too little regulation," says Roberts. "For food safety, the key to optimal regulation is balancing human health benefits with costs of regulation." □

[Based primarily on information provided by economist Tanya Roberts of the Commodity Economics Division, Economic Research Service, and Professor Eileen Van Ravenswaay of the Department of Agricultural Economics, Michigan State University.]

1990 Reports Calendar

January-June

Titles of Situation-Outlook and other periodic reports issued by the Economic Research Service are printed in color. Summaries of reports are released at 3 p.m. ET on the dates shown. Copies of complete reports are due off press about a week later. To request subscription information on any of these reports, write USDA/ERS, P.O. Box 1608, Rockville, MD 20849-1608, or call 1-800- 999-6779.

*The **World Agricultural Supply and Demand Estimates** reports, issued by the*

JANUARY

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
1	2	3 Hogs and Pigs	4	5 Celery Dairy Products Egg Products
8	9 Poultry Slaughter Vegetables Vegetables, Prelim.	10	11 **World Agricultural Supply & Demand** Crop Production Crop Production, Annual Grain Stocks Rice Stocks	12
15	16	17 **Livestock & Poultry** **Potato Stocks** **Turkey Hatchery**	18 Milk Production	19 Noncitrus Fruits & Nuts, Annual Turkeys
22 **Dairy** **U.S. Agricultural Trade Update**	23 Crop Values	24 **Livestock & Poultry Update** Catfish Cattle on Feed Cold Storage Livestock Slaughter	25 **Oil Crops**	26 **National Food Review**
29 Peanut Stocks & Processing	30 Eggs, Chickens, & Turkeys Layers & Egg Production, Annual	31 Agricultural Prices		

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12 Farm Labor Honey	13	14 **Agricultural Income & Finance** Eggs, Chickens, & Turkeys
19	20 **Agricultural Outlook** **U.S. Agricultural Trade Update**	21 **Wheat Yearbook** Catfish
26 **Cotton & Wool**	27 **Exports** Peanut Stocks & Processing	28 Agricultural Prices

APRIL

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
2 **Tobacco**	3 Egg Products	4 Poultry Slaughter	5	6 Celery Dairy Products
9 Vegetables	10 **World Agricultural Supply & Demand** Crop Production	11	12	13 Meat Animals, Prod., Disp., & Income Potato Stocks
16 Milk Production Turkey Hatchery	17 Floriculture Crops	18 **Agricultural Outlook**	19 **Dairy**	20 **Livestock & Poultry Update** **Land Values Sum.** Cattle on Feed Cold Storage Livestock Slaughter
23 **U.S. Agricultural Trade Update** **Rice** Catfish	24	25 Eggs, Chickens, & Turkeys	26 **Oil Crops**	27 **Nat. Food Review** Peanut Stocks & Processing Poultry, Production & Value
30 Agricultural Prices				

MAY

MONDAY	TUESDAY	WEDNESDAY
	1	2 Egg Products
7	8 Celery Milk Prod., Disp., & Income	9 Vegetables
14	15 **Livestock & Poultry** Milk Production Turkey Hatchery	16 **USSR** Potato Stocks
21 **Wheat** **U.S. Agricultural Trade Update** Catfish Sugar Market Statistics	22	23 **Agricultural Income & Finance** Eggs, Chickens, & Turkeys
28	29	30 **Exports** Peanut Stocks & Processing

World Agricultural Outlook Board, are also shown in color. These reports are issued in their entirety at 3 p.m. ET on the indicated dates. To request subscription information, write EMS Information, Room 228, 1301 New York Ave., NW, Washington, DC 20005-4789, or call 202-786-1494.

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NESDAY	THURSDAY	FRIDAY
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Trade Agreement's Impact: Few Gains for U.S., Canadian Farmers

Domestic economic and trade issues, the subject of numerous disputes between the United States and Canada, were discussed during negotiations for the Free Trade Agreement (FTA) that took effect last year. Although the policies concerning agriculture presented special problems for the negotiators, little of national significance to the United States was achieved in that area, says Alan Webb of USDA's Economic Research Service.

One reason for the FTA's few achievements in agriculture is that negotiations for the FTA were going on at the same time as the Uruguay round of the 97-nation General Agreement on Tariffs and Trade (GATT), where agriculture was a major concern. "The GATT talks probably caused both countries to restrain the scope of their bilateral agricultural negotiations," says the economist. "Neither side wanted to make major concessions that would have reduced their bargaining chips in the larger multilateral GATT talks."

But GATT also acted as an impetus to achieve some agreement through FTA on agriculture, no matter how small. "For two relatively friendly, open countries to admit defeat on negotiating something on agriculture would have sent a bad signal to the international community," says Webb, "particularly since both countries maintain that the real culprits in international agricultural trade are the European Community and Japan."

The agriculture provisions of the FTA focus on specific irritants concerning trade between the two countries. Although the United States maintains an agricultural trade surplus with Canada, that surplus shrank throughout the early and mid-1980's, reflecting the strengthening of the U.S. dollar. Economist Carol Goodloe, another ERS analyst studying Canada-U.S. trade relations, says that the shrinking U.S. surplus set the stage for trade disputes between the two countries. Agricultural commodities involved in the disputes included hogs, potatoes, yellow onions, wine, sugar and sugar blends, red raspberries, cut flowers, millfeeds, and corn.

Bilateral FTA, now 1 year old, was overshadowed by multilateral trade talks.

The main focus of the FTA talks was the use of domestic trade remedies to restrict imports, such as countervailing duties and antidumping laws.

The agricultural portion of the FTA also touches on the basic areas of tariffs, access barriers, subsidies, and technical regulations. But harmonizing the different policies in both countries' farm programs was not a negotiating objective, Goodloe says.

For example, the two sides could not agree as to which agricultural programs constitute subsidies and are therefore subject to countervailing duties. (Countervailing duties, in U.S. law, are a protection against unfair trading practices. If the United States finds that a country is subsidizing its exports to the U.S. market, it can apply a duty at the border equal to the subsidy.)

Thus, says Goodloe, the FTA provisions regarding agriculture were limited in scope and were not intended to significantly affect agricultural policy or trade.

Scant Bargaining Room

The similarity in agricultural production and trading patterns in the United States and Canada provided few reasons to negotiate changes or opportunities for trade-offs. Both countries derive most of their agricultural income from beef, dairy products, and wheat. More than 50 percent of their agricultural exports are grains and oilseed crops. While most of these exports go to other countries, Canada's exports to the United States are large and growing.

Another limitation in the bilateral trade negotiations was that the agreement would be between a large trading country, the United States, and a small one, Canada. Webb says that agricultural trade with the United States and the FTA are far more important to Canada than the other way around.

The United States has become an increasingly important market for Canadian agricultural exports, especially for higher valued, processed products. About one-third of Canada's agricultural exports go to the United States, whereas less than 10 percent of U.S. agricultural exports go to Canada. If Canada perceives that future growth in exports is possible in the U.S. market, then making concessions to gain greater access would be in Canada's interest, says the economist.

A large increase in Canada's exports to the United States, although only a small share of U.S. consumption for most commodities, would represent a large gain to Canadian agriculture. On the other hand, a relatively small increase in U.S. exports to Canada could swamp Canadian markets for some commodities.

Webb says that the U.S. view was that the small size of the Canadian market did not justify making large concessions. "The United States would not make major changes in its domestic agricultural policies, particularly those which would affect head-to-head competition with Canada in other export markets, on the basis of Canadian concessions on agriculture."

However, in larger, multilateral talks such as the Uruguay round, significant changes in domestic policies are more likely. For example, during FTA negotiations both countries agreed to phased tariff reductions on dairy products but made no fundamental changes in dairy policy. But following the mid-term GATT agreement in April 1989 to place a short-term freeze on government-administered support prices, Canada announced a 20-month freeze in dairy support prices.

Both countries have complex domestic agricultural policies linked to trade barriers, says Webb. Significant trade concessions can only be achieved after both agree to

major domestic policy reforms. Such reforms, however, would affect their trade with all countries.

For either country to consider major domestic reforms for a particular commodity, the other country would have to be the dominant foreign supplier (or potential supplier) and would have to make significant concessions. "GATT is now grappling with that very problem," says Webb. "With its 97 trading countries, GATT provides many more opportunities for achieving mutually beneficial concessions."

"Also," says Webb, "it's easier to make concessions on products that don't have strong domestic interest groups that advocate the maintenance of support programs and trade barriers. For example, with dairy products, neither side was willing to tackle the complex programs or the strong dairy interest groups when the perceived gains for removing trade barriers were small."

FTA Mostly Affects Canada

The impact of the FTA in the United States, so far, has been negligible, says Goodloe. The agreement hasn't been in effect long enough to judge its economic performance, but effects on bilateral agricultural trade will be small, she says. But the brunt of any adjustments will fall on Canada.

The FTA has already put some pressure on Canada to make policy changes, says Goodloe. Immediately following the signing of the FTA, Canada placed yogurt, ice cream, and other dairy products on its Import Control List, meaning an import license was required. This action was prompted by the dairy industry, which feared import competition from the United States as a result of tariff removal, she says. The United States has protested this action in the GATT.

The FTA also dealt a blow to the heavily protected wine grape growers in the provinces of Ontario and British Columbia, says Goodloe. The Canadian federal and provincial governments have plans to compensate grape growers for future loss of income.

Canada has recently made minor changes in its grain policy, at least partly in response to the FTA, says Goodloe. The two-price wheat policy, which kept Canadian domestic wheat prices high, was changed as of August 1988. The price premium on domestic wheat has fallen and can be expected to disappear if the import licenses are removed. Goodloe says that the FTA might have provided convenient timing for the Canadian government to extricate itself from an increasingly distortive wheat policy.

Some Canadian food processors are concerned that as tariffs come down, products not protected by import quotas will not be able to compete with U.S. processed products, says Goodloe. This situation could result in more products being put on the Import Control List.

The FTA has not automatically ushered in a new era of harmonious trade relations,

Tariff Cuts Are Key Part of Trade Pact

The following is a brief review of what the FTA did accomplish in agriculture:

Tariffs: Tariffs are to be removed on all agricultural commodities, for most items over a 10-year period. Many fresh fruits and vegetables are subject to seasonal tariffs. For the next 20 years those tariffs will be allowed to "snap back" to the previous most-favored-nation level if the import price falls below the previous 5-year average, excluding high and low years, and if planted acreage in the importing country is not higher than the previous 5-year average, excluding high and low years.

Access barriers: Canada will remove import licenses on wheat, barley, and oats when U.S. government support levels for the three commodities are equal to or less than support in Canada. Current support for wheat and barley in the United States is higher, says Goodloe. Support for oats is lower in the United States, and the import license was removed in June. Both sides agreed not to reimpose trade restrictions on these commodities unless imports "increase significantly" as a result of a "substantial change" in either nation's support program. ERS economists note that the terms in quotation marks were not defined in the agreement.

Canada agreed to increase the global import quotas on chicken, turkey, and eggs equal to average actual imports for the last 5 years.

The United States agreed not to restrict imports of sugar-containing products that contain 10 percent or less sugar.

Both sides agreed to exempt each other from their meat import laws.

Canada will ease various import and distribution restrictions on U.S. wines.

Subsidies: Neither country can use direct export subsidies to ship products to each other. Public entities are not allowed to sell products for less than the cost of purchase plus handling costs.

Canada will remove rail subsidies on grain and oilseed products that are exported to the United States through Canada's west coast ports.

Inspection and Regulation: The FTA establishes various working groups to coordinate regulations on plant and animal health, labeling, inspections, and veterinary drugs.

says the economist. Trade disputes continue. For example, Canada has placed antidumping duties on U.S. sour cherries and Red Delicious apples. The United States initiated a countervailing-duty case against pork and recently applied a duty on Canadian pork imports. And the GATT dispute over dairy products continues.

Goodloe says that it is difficult to draw strong conclusions about the overall impact of the FTA on U.S.-Canada trade because many of the provisions are contingent (see box). For example:

- The tariff snapback on fruits and vegetables has several conditions that must be met before it is triggered.

- Canada's grain import licenses will be removed only if U.S. support falls below Canadian support. U.S. supports for wheat and barley are well in excess of Canadian support, although U.S. support for oats is lower. However, some North Dakota wheat farmers say that the method the United States uses to calculate its support estimates is not accurate. Also, the conditions specified in the FTA regarding changes in imports and government support programs have not been defined.

- The new poultry quotas may not expand U.S. exports if supplemental quotas are not issued. And the size of quotas depends on Canadian production.

- It is uncertain whether conditions ever would warrant the activation of meat-import controls. Canada has not actually applied its law against U.S. imports, and the United States has not insisted on voluntary restraints for Canadian imports since 1983.

"Most importantly," says Goodloe, "the 'sleeper' underlying any estimated impacts on trade is the exchange rate. The Canadian dollar has been appreciating since the end of 1986. Even with the shifting agricultural trading environment of the 1980's and the many policy changes, the importance of exchange rate changes in influencing trade is clear and could outweigh the sum total of the agricultural provisions of the FTA."

In 1988, the United States Was the World's Top Exporter of Agricultural Products—and the Third Ranked Importer

Leading exporters	Value of farm products	Leading importers	Value of farm products
	$ billions		$ billions
World Total	**287.2**	**World Total**	**313.5**
United States	40.3	West Germany	31.3
France	27.2	Japan	26.8
Netherlands	25.0	United States	22.6
West Germany	16.9	Italy	20.9
Australia	10.4	United Kingdom	20.3
United Kingdom	10.3	France	19.4
Brazil	9.5	Soviet Union	17.9
Belgium-Luxembourg	9.3	Netherlands	17.1
Canada	8.9	Belgium-Luxembourg	10.9
Italy	8.8	Spain	6.3
China	8.5	Canada	6.0
Denmark	6.9	Hong Kong	5.7
Spain	6.7	South Korea	5.3
Cuba	5.5	Switzerland	4.2

Data for calendar year 1988, provided by Economic Research Service economist Art Mackie from statistics published by the Food and Agriculture Organization, United Nations.

In addition to leaving many issues unresolved, the FTA raises questions about its interpretation and implementation, says Goodloe. For example, how will harmonization of regulation and inspection procedures proceed, and how will costs and benefits accrue to the affected sector?

There are also third-country effects to consider, says Goodloe. Australia has complained that the FTA violates a Canada-Australia agreement that calls for tariff equality. The FTA is being examined in the GATT to see if it is consistent with GATT rules.

"Overall, the FTA has had an impact in the world economic community, at least in terms of influencing perceptions if not the actual workings of the world economy," concludes Goodloe. "Coupled with movement by the European Community toward integration in 1992 and the growing economic power of the Asia-Pacific countries, the 'North American' market is now a reality. Some people are asking if the world economy is moving toward regional economic blocs and away from the multilateral trading system." □

[Based on information provided by economists Alan Webb and Carol Goodloe, Agriculture and Trade Analysis Division, Economic Research Service.]

REPORTS IN THE NEWS

Study Identifies Farm Entrepreneur

The "farm entrepreneurial population," a new economically defined category, includes people who depend on agriculture but do not necessarily live on farms.

In 1987, about 5.7 million people were in this category in the United States. The farm population as conventionally defined by residence was estimated at only 5.0 million.

Since first counted in the 1920 census, the farm population had been defined as people who live on farms or ranches, regardless of occupation or income. The new definition was developed because many people live on farms but work in nonagricultural occupations, and others operate farms or derive income from farms while living elsewhere.

The farm entrepreneurial population consists of people who live in households in which someone's primary occupation is operating a farm, or in which someone receives self-employment income from farming.

This report analyzes the U.S. farm entrepreneurial population, using data from the Census Bureau's March Current Population Survey for 1987, covering income, education, and other characteristics. The report contains 18 tables and charts, plus an appendix with definitions of terms.

In 1987, the U.S. labor force contained about 3.3 million members of farm entrepreneurial households. Few minorities were members of this population, with only 1 percent black and 1.9 percent Hispanic.

The Farm Entrepreneurial Population, 1987, by Margaret A. Butler. Published June 1989; 16 pages; $5.50 ($7 to non-U.S. addresses).

Livestock Data Series Updated

This report contains the latest available data on the number, movement, slaughter, and prices of cattle and calves, hogs, and sheep and lambs in 1984-88.

Data published in this 276-page report are compiled by the Commodity Economics Division of the Economic Research Service and other USDA agencies. The report contains 174 tables.

It is the 11th supplement to Statistical Bulletin No. 522, ***Livestock and Meat Statistics***, published in 1973.

The tables in this publication contain such information as:

- The total value of the 99 million cattle and calves in this country in 1988 was about $52 billion. Ten years earlier, the country had 116 million head, valued at $27 billion.
- Iowa was the leader in commercial hog slaughter in 1987 with over 21 million head, more than one-fourth of the U.S. total. Minnesota was the second-ranked state with 5.9 million head.
- U.S. lamb and mutton production totaled 769 million pounds in 1960 and 315 million pounds in 1987.
- Production of poultry in the United States totaled 6.3 billion pounds in 1960 and 20.1 billion pounds in 1987.
- The steer-corn ratio during the 1970-88 time period ranged from 13.6 in 1974 to 41.0 in 1987. It was above 25 in 1972, 1979, 1980, 1982, 1986, 1987, and below 20 in 1974, 1975, 1976, and 1977.

Livestock and Meat Statistics, 1984-88. Published September 1989; 276 pages; $12 ($15 to non-U.S. addresses).

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AGRICULTURAL ROUNDUP

Gleanings

... on predicted farm and timber production, alternative crops, water quality, and the design of a new farm bill, excerpted from speeches at USDA's 66th annual Agricultural Outlook Conference, held November 28-30, 1989, in Washington, D.C.

"WORLD COMMODITY PRODUCTION is increasing in 1989/90. Crops are recovering from drought-reduced levels in the United States, Canada, and Argentina. Animal product output will reach a new record as poultry supplies continue to increase. World commodity consumption is moving to record levels and will exceed production for most crops. Use will respond to: real economic growth of 3 to 3.5 percent, meat output 1 percent larger and population up 1.7 percent . . . .

"U.S. grain exports will be down slightly because of a rebound in crops and exports by Canada and Argentina, near-record exports by the European Community, and tighter U.S. food grain supplies.

"U.S. soybean exports will face record South American production . . . . Early indications point to a record low U.S. share of the world market. In contrast to grains and soybeans, the U.S. share of the world cotton market is expected to recover from last season's reduced level. Competition is easing in international markets as cotton supplies decline in foreign exporting countries . . . .

"In 1990, the outlook is for slightly higher receipts [by U.S. farms], while expenses may stabilize. Marketing receipts will move up in response to bigger crops and higher prices for some commodities, while gross income may be up less than cash receipts because of lower government payments. Production expenses may stabilize, mainly because of lower feed costs. This would suggest net cash income of $52 billion to $57 billion, up 2 to 4 percent from 1989 . . . . Net farm income of $46 billion to $49 billion would be 2 to 5 percent below 1989's record $48-$50 billion. Net farm income takes into account an expected smaller increase next year in the value of commodity inventories." *James R. Donald, chairperson, World Agricultural Outlook Board.*

"THERE ARE TWO ISSUES EMERGING that could have a lot to do with the future timber supply-demand situation in the United States—recycling and global warming.

"Landfill space in the Northeast will likely be gone in 10 years . . . . There are technical problems with recycling some papers such as printouts from laser printers. In our projections we assume recycling will increase some, but there is potential for mandated recycling that would substitute [material] directly for wood used in the pulp industry. A plus for timber supply, but a challenge for the pulp industry.

"The consequences of global warming could go several ways . . . . All we know for sure is that the concentration of carbon dioxide in the air is increasing. If unchecked, this could lead to global warming. Beyond that we are in uncharted territory. If the warming is with adequate moisture, for example, it may be a plus for tree growth; if not, a negative. Planting trees may be the answer to global warming, but it would take a lot of trees to make a difference. A plus for timber supply, but a negative for landowners trying to grow wood for profit." *David R. Darr, Division of Forest Inventory, Economics and Recreation Research, USDA Forest Service.*

"THE MAJOR THREAT to U.S. competitiveness in world markets in the next decade is potential legislation to arbitrarily limit or eliminate agricultural chemical use in crop production. Such legislation would increase the cost of food and eliminate our participation in world markets. Safe food, safe water and a preserved environment are not incompatible with efficient agricultural production so long as decisions are made in the laboratory, based upon scientific evidence and not on 'Good Morning America.' This requires that we in agriculture need to be out front with positive, effective policies that solve contamination problems and [that we] not avoid environmental issues. We need to help set the agenda, rather than react defensively." *William Lapp, economic analyst, ConAgra, Inc.*

"THE ECONOMICS OF DEVELOPING products from the new industrial crops is almost a Catch 22 situation. Farmers aren't likely to produce a new crop without an assured market, and industry isn't likely to retool for processing an alternative crop without an assured supply . . . .

"Particularly in the developing stages of new technology, costs tend to be much higher for each unit of production than in more mature technologies. On their own merits, therefore, many new products cannot compete in the marketplace, at least initially. How can startup costs be minimized?

"Frequently, the total benefit to the overall economy is not figured into the equation. For example, calcium magnesium acetate is an effective substitute for road salt, but its cost is considerably higher . . . . Yet how much does it save taxpayers in reduced repairs to roads and bridges? How much does it save car owners in reduced rust damage? How much does it benefit water quality and natural ecosystems that now receive salt-laden runoff?

"The classical approach to marketing is to look for a need, and then to fill it. Another approach is to develop a new product, and then to look for uses . . . . The best known example of a new technology developed first—and then new uses found—is the laser. More to our point today is another example: Super slurper, which was created in the Agricultural Research Service research center at Peoria and then languished on the shelf for

years. This product was originally called *starch polyacrylonitrile graft copolymer*, so there is little wonder that people weren't too excited about it. Then an ARS employee coined the term *super slurper*—a highly descriptive, imaginative name for the product—and industry took a second look. The result has been the development of several innovative, useful products." *R. Dean Plowman, administrator, Agricultural Research Service, USDA.*

"INDUSTRY HAS ASSUMED a strong role in addressing the concerns of groundwater contamination. When speaking of industry, I include not only those who manufacture and distribute fertilizers and chemicals, but also production agriculture and all segments of society which utilize various products for the convenience and enhancement of mankind.

"Today, industry is providing substantial leadership and investment to assure that the appropriate safeguards are in place. Industry is making significant investment individually and cooperatively through various organizations to develop guidelines for the safe, efficient utilization of fertilizer and the many agrichemicals in use today. This is not a reactive response, but is indicative of the willingness of industry to be proactive in their attitudes. We have progressed beyond the point of suggesting that problems do not exist. I hope we have progressed beyond the point of acrimony between various segments of the industry and society. In short, the time for finger-pointing is past, and the time for constructive discussion and debate is here. Environmental stewardship is not solely a government problem; however, government has a significant role in data base production, education and in assuring uniformity in regulatory response. We must all work together." *James B. Boillot, executive vice president and chief executive officer, National Fertilizer Solutions Association.*

"IF COUNTRIES FAIL to take advantage of the opportunity provided by the Uruguay round [of trade negotiations under the General Agreement on Tariffs and Trade] to reform agricultural policies, there are a number of likely consequences for agricultural exporting countries . . . . and for the world economy in general. First, since there is a low probability of most countries initiating policy reforms unilaterally—despite the economic gains—it follows that agricultural protection, especially in major developed countries, would continue with consequent adverse effects on world income.

"Second, there could be an increasing proliferation of bilateral trade agreements, trading blocs, or both. If internationalist sentiments did not prevail in these trading blocs, the fragmentation of the international trading system would increase.

"Third, there might well be a continuance of the confrontationist policies pursued by the United States and other subsidizing exporters, which contributed to the sharp downward spiral in world market prices for agricultural commodities—especially wheat—in the mid-1980's, and which are adversely affected not only by the major protagonists (the United States and the European Community) but also other trading nations such as Australia and Argentina." *Brian Fisher, director, Australian Bureau of Agriculture and Resource Economics.*

"POLITICIANS DON'T LIKE TO ACT—particularly if their actions can lose votes for them. So they need a crisis to move policy forward. This theory of crisis management relates in particular to agriculture, where politicians feel compelled to respond to short-term downturns in markets when facing elections . . . .

"The situation in U.S. agriculture today—in terms of both market and economic conditions—is very different from that experienced during the drafting of the 1985 farm bill. This year there is no major agricultural crisis, and therefore, there are not likely to be any radical proposals for major changes in current farm policy, with some exceptions. What is more likely is a continuation of the basic policies crafted in the 1985 Food Security Act. This doesn't mean a steady reduction on commodity loan rates and target prices, but rather 'dropping anchor' where we currently are, with some modifications such as planting flexibility . . . .

"Because Democrats hold the majority of seats in the Congress, a Republican bill from the [Bush] Administration would clearly be considered 'dead on arrival' if sent up to [Capitol] Hill. It would limit the Administration's flexibility by dampening ongoing negotiations among agencies, and would provide fixed proposals open to congressional disapproval. It is more likely that Agriculture Secretary [Clayton] Yeutter will send up to Congress the broad objectives and proposals that the Administration seeks to achieve in the legislation." *Carol Brick-Turin, World Perspectives, Incorporated.*

Outlook Materials Are Available

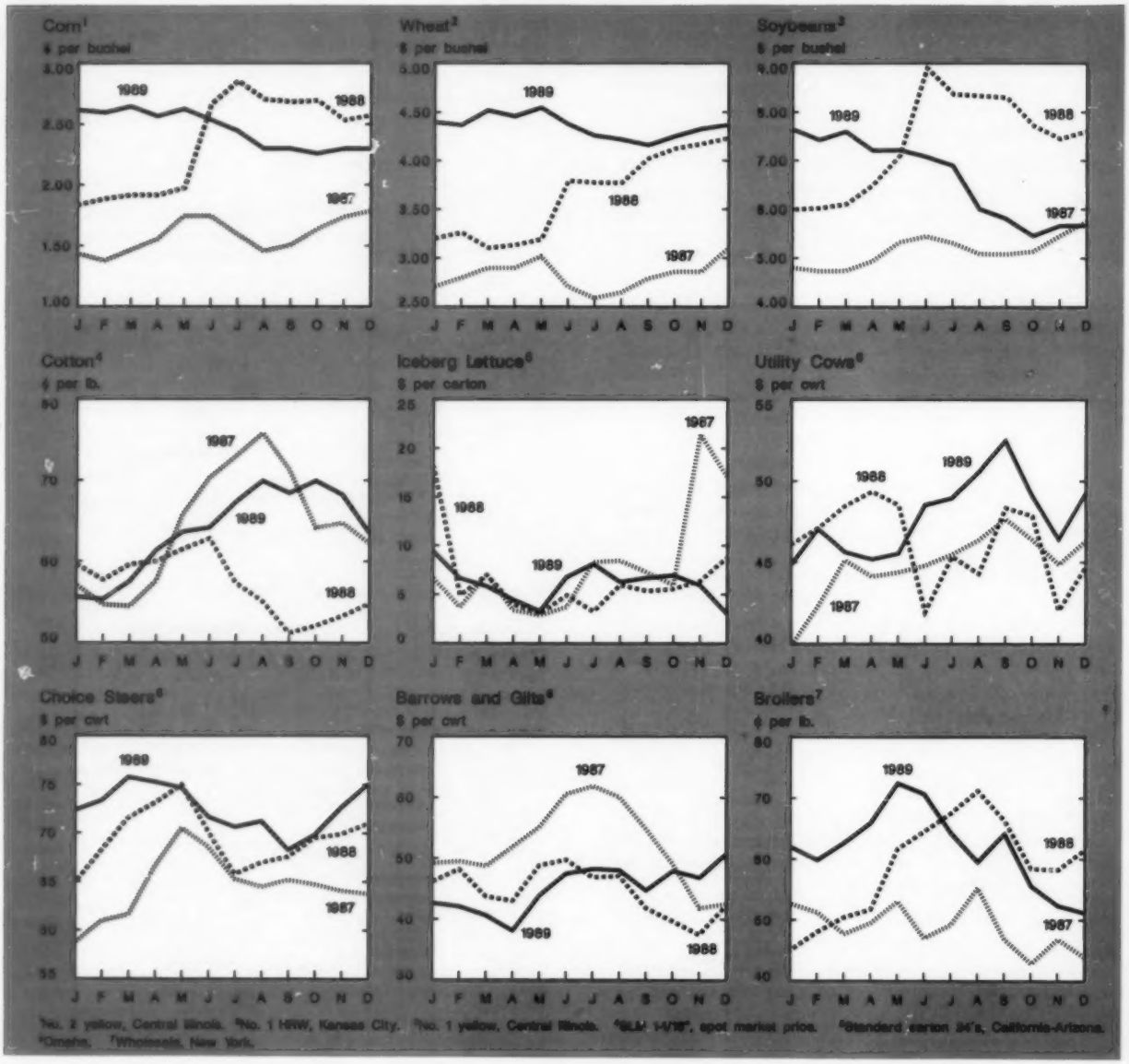
Compilations of the speeches and plenary sessions at the Agricultural Outlook Conference are available in *Outlook '90 Proceedings*, for $20 each. A related publication, *Outlook '90 Chartbook*, providing reproducible black-and-white copies of some 150 selected charts used by the speakers, is available for $8 each. Charts and proceedings are offered as a set for $25. To order by mail, send check or money order (payable to ERS-NASS) to ERS-NASS, P.O. Box 1608, Rockville, MD 20849-1608. To order by phone, call 1-800-999-6779. Add 25 percent for delivery to foreign addresses.

Individual conference sessions are also available on audio cassettes. For information, call (202) 447-3050, or write to: Outlook Tapes, Rm. 5143 South Bldg., USDA, Washington, DC 20250-3800.

FARMLINE TRENDS

Monthly Price Monitor

USDA's inflation-adjusted index of farm prices for December 1989 was up 0.7% from November and 2.1% above its year-earlier level. In yearend 1989-1988 price comparisons, corn was down 28¢ to $2.30 per bushel, wheat up 13¢ to $4.37 per bushel, soybeans down $1.96 to $5.67 per bushel, cotton up 8.7¢ to 63.6¢ per pound, iceberg lettuce down $5.78 to $3.10 per carton, utility cows up $4.46 to $49.25 per cwt, choice steers up $4.02 to $75.09 per cwt, barrows and gilts up $8.41 to $50.82 per cwt, and broilers down 10.7¢ to 51.0¢ per pound. Twelve-month average values for 1989 were: corn $2.46, wheat $4.36, soybeans $6.64, cotton 63.8¢, lettuce $6.16, utility cows $47.81, choice steers $72.70, barrows and gilts $45.17, and broilers 61.7¢. All prices shown are monthly averages.

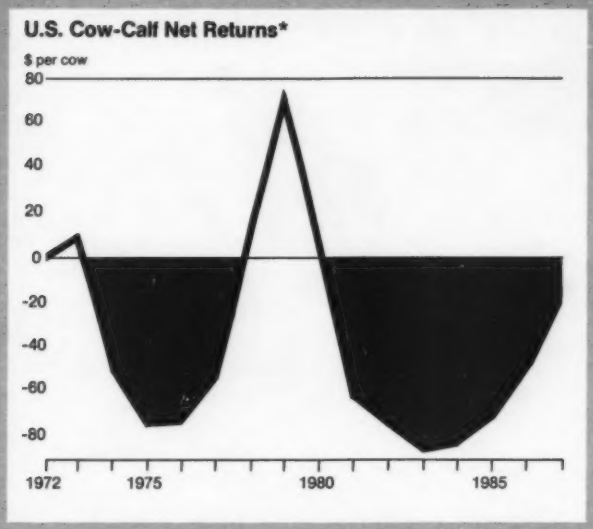


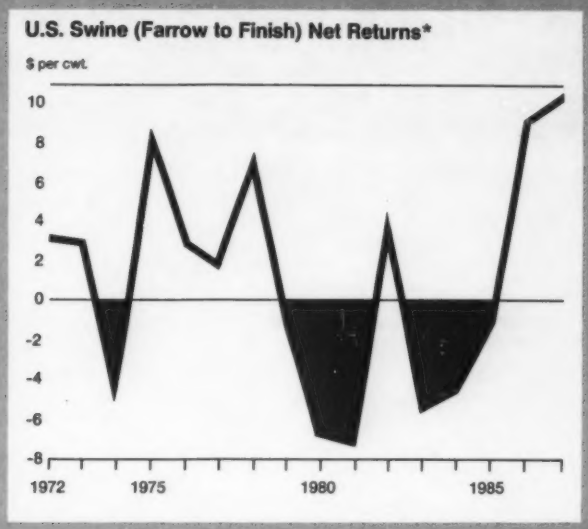
[1]No. 2 yellow, Central Illinois. [2]No. 1 HRW, Kansas City. [3]No. 1 yellow, Central Illinois. [4]SLM 1-1/16", spot market price. [5]Standard carton 24's, California-Arizona. [6]Omaha. [7]Wholesale, New York.

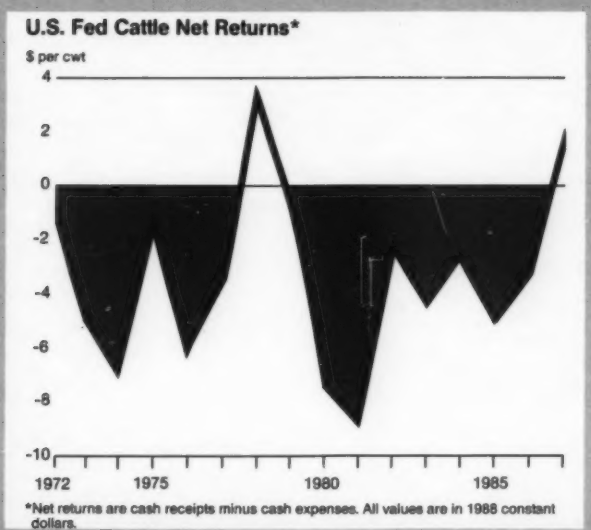
Livestock Producers Have Faced Unprofitable Years

Strengthened livestock prices in the mid-1980s may have led producers to believe they were making money. But aggregate data on livestock producers indicate otherwise. When expenses including cash costs and capital replacement costs are taken into account, expenses have outrun receipts for most livestock during most of the period between 1972 and 1988. The picture becomes even more alarming when receipts and expenses for the period are translated into constant 1988 dollars.

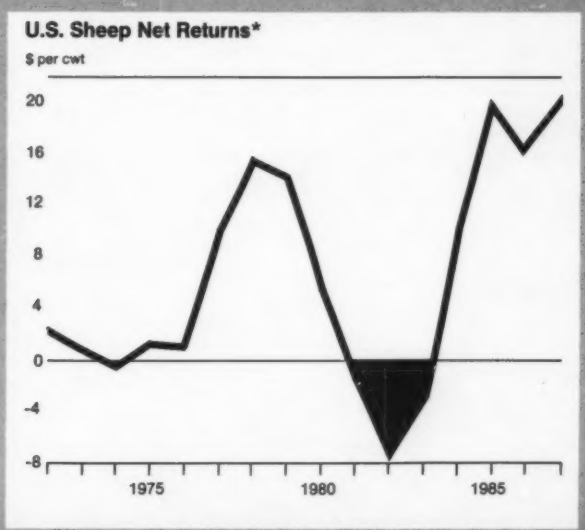
In 1983 dollars, receipts fell faster than expenses, and many producers experienced losses. Cow-calf producers experienced only 3 profitable years, and feedlot operators logged profits only once. Farrow-to-finish operators were the second most profitable producers as a group, covering expenses nine times during the period. Sheep producers were the most profitable as a whole. Aggregate data show that the nation's sheep producers made enough money to cover expenses in 16 of the 17 years.







*Net returns are cash receipts minus cash expenses. All values are in 1988 constant dollars.



Data were provided by Hosein Shapouri and Terry Crawford of the Commodity Economics Division, Economic Research Service.

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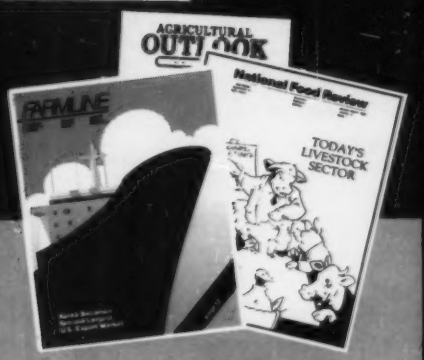

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